

907532530 OFFICE OF COUNSEL

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Quality Assurance Branch - Construction

SUBJECT: Spencer Quarry, Contract DACW85-96-C-0020, Homer Spit
Repair & Extension, Homer, Alaska.

Nugget Construction, Incorporated
Attn: Mr. Randolph
8726 Corbin Drive
Anchorage, Alaska 99507-3411

Gentlemen:

We acknowledge receipt of Serial Letter 611-19, dated August 6, 1997, and Serial Letter 611-21, dated August 11, 1997. We do not necessarily agree that Spencer Rock Products is only a "vendor" for Miller Act purposes.

Based on the supporting costs that you outlined in Serial Letter 611-21, it appears that Nugget Construction has assumed full responsibility for operations at Spencer Quarry for the subject project. Therefore, as primary operator at Spencer Quarry, we believe Nugget Construction is responsible for prompt payment to suppliers and subcontractors who contracted with Spencer Rock Products on this project.

We request that you clarify what support and project management services Nugget Construction provided to Spencer Rock Products to account for the support cost that you have shown in Serial Letter 611-21. Further, please provide information showing what work, if any, has been performed by Spencer Rock Products under its subcontract with Nugget Construction.

Please direct any questions you have in this matter to the Project Engineer, Mr. David Scott, at (907) 384-7442.

Sincerely,

Thomas A. Johnson, P.E.
Administrative Contracting
Officer

Cc: United States Fidelity
and Guarantee Co.
Attn: Bill Wells
4220 B Street
Anchorage, AK 99503

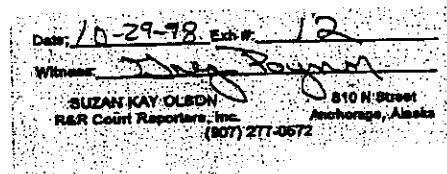


Exhibit A
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Exhibit E
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